



Lagardère

PRESS RELEASE

**Buoyant sales in the first quarter of 2015:
€1,572 million, up 6% on a like-for like basis⁽¹⁾**

Lagardère confirms its target for recurring EBIT of fully consolidated companies⁽²⁾ for 2015

Paris, May 12, 2015

Sales in the first quarter of 2015, stood at €1,572 million, compared to €1,526 million in Q1 2014, up 3% on a reported basis and up 6% like-for-like.

The difference between data on a reported basis and like-for-like is explained in part by a positive currency effect of €64 million, due primarily to appreciation by the US dollar, the pound sterling, and the Swiss franc, and in part by a negative scope effect (-€99 million), which breaks down as follows:

- Miscellaneous effects of sales deconsolidation, amounting to €162 million with, essentially:
 - at Lagardère Services: deconsolidation of Relay activities in train stations in France (creation of a joint venture with SNCF) as well as high-street Retail activities in Poland (now consolidated using the equity method after the disposal of 51% of Inmedio's capital); disposal in Switzerland of Press Distribution activities (Naville) and book stores (Payot);
 - at Lagardère Active: disposal of 10 magazines.
- And €63 million in acquisitions, notably for Lagardère Services (integration of Airst activities, primarily in Venice), Lagardère Active and Lagardère Publishing.

By division:

- **Lagardère Publishing:** sales of €421 million (+7.1% on a reported basis and -2.2% like-for-like), with contrasting performances: a very strong start of the year in France, particularly in General Literature, but business contracted in other geographic areas (notably English-speaking countries) in light of a slower publishing schedule.
- **Lagardère Services:** sales of €794 million (-7.4% on a reported basis, and +3.2% like-for-like). Travel Retail continued its solid growth (+6.7% on a like-for-like basis), while the trend in Distribution was still negative (-2.7%).
- **Lagardère Active:** activity up at €204 million (+1.1% on a reported basis and +2.8% like-for-like) thanks to the good performance of TV Production.
- **Lagardère Unlimited:** as anticipated, an excellent first quarter, driven by a favourable event schedule; sales are up very significantly to €153 million (+108.3% on a reported basis, +85.1% on a like-for-like basis).

⁽¹⁾At constant exchange rates and consolidation scope.

⁽²⁾Recurring operating profit of fully consolidated companies (four operating divisions + other activities). See definition at the end of the press release.

I. GROUP CONSOLIDATED SALES AND ACTIVITY

| | Sales (in € million) | | 2015/2014 Change | |
|----------------------|----------------------|--------------|---------------------|---------------|
| | Q1 2014 | Q1 2015 | on a reported basis | like-for-like |
| LAGARDÈRE | 1,526 | 1,572 | +3.0% | +6.0% |
| Lagardère Publishing | 393 | 421 | +7.1% | -2.2% |
| Lagardère Services | 858 | 794 | -7.4% | +3.2% |
| Lagardère Active | 202 | 204 | +1.1% | +2.8% |
| Lagardère Unlimited | 73 | 153 | +108.3% | +85.1% |

> Lagardère Publishing

A strong start of the year in France

Sales for the division totalled €421 million (+7.1% on a reported basis and -2.2% like-for-like). The difference between reported and like-for-like sales was mainly due to a positive currency effect (+€29 million) primarily associated with the US dollar and pound sterling. The scope effect was also positive (+€8 million) including acquisitions made in the United Kingdom (Constable & Robinson in February 2014, Quercus in May 2014) and the disposal by Spanish group Anaya of its publishing subsidiary in Argentina, Aique, in September 2014.

Figures below are presented on a like-for-like basis.

In France, activity has grown significantly (+10.4%), with good performances in General Literature, with best-sellers in every house (*L'homme qui ment*, by Marc Lavoine, at Fayard; *Hippocrate aux enfers*, by Michel Cymes, at Stock; *Vernon Subutex*, by Virginie Despentes, at Grasset; *The Black Box*, by Michael Connelly, at Calmann-Lévy) and in the Paperback segment (major success of the *Fifty Shades* series after the film's release). Distribution and Illustrated Books also had a good start to the year.

In the United States, activity is in contraction (-12.3%) due to a less-intensive new release schedule than Q1 2014, and a downturn in sales of e-books, which can be traced to two factors: Q1 2014 was still benefiting from a very high activity level with Amazon, before the trade problems with the latter arose. In addition, the agreement signed with Amazon in November 2014 was implemented beginning in March. This agreement, which maintains the agency contract model (prices set by the publisher), is resulting in the gradual disappearance of e-book discounts, which caused a slight loss in volumes at the end of the quarter.

The change in sales in the United Kingdom (-4%) was due to:

- a less-intensive new release schedule than in Q1 2014;
- a dip in sales of e-books, related to the lower number of best-sellers, and an unfavourable VAT effect (in line with a new European regulation, the VAT rate applicable to sales of e-books is now the consumer-country rate and no longer the rate in the country where the distributor is located).

The change in sales in the Spain/Latin America zone (-5.6%) was caused notably by the non-renewal of one-off operations in Q1 2014.

The decline in sales of Partworks (-8.5%) was the result of a difficult environment in Russia and by a negative comparison effect on Q1 2014, which had been very strong (+11% compared to Q1 2013), thanks to a number of releases at the end of 2013.

Digital: the transition to digital remains isolated to the English-speaking countries and the General Literature segment, which only accounts for about 40% in sales for the division.

- In the United States, where the digital market is in contraction, e-book sales made up 28% of total sales for the division in Q1 2015, compared with 34% in Q1 2014.
- In the United Kingdom, where the market seems to be stabilising, sales for digital stood at 26% of total sales compared with 28% in Q1 2014. E-books accounted for 36% of total Adult Trade⁽³⁾ sales in Q1 2015, compared to 40% in Q1 2014.

In Q1 2015, Digital accounted for 12.2% of total sales for Lagardère Publishing (vs. 13.4% in Q1 2014).

The first quarter traditionally makes a lower contribution to the year as a whole.

⁽³⁾Adult trade works.

> Lagardère Services

Continued momentum in Travel Retail.

Sales for the division totalled €794 million (-7.4% on a reported basis and +3.2% like-for-like), with a favourable exchange rate effect this quarter of +€23 million (rise of the Swiss franc and the US, Australian and Canadian dollars). As expected, the scope effect was negative by -€108 million, broken down as follows:

- Miscellaneous effects of sales deconsolidation, amounting to €151 million, with, essentially:
 - deconsolidation of Relay activities in train stations in France (creation of a joint venture with SNCF in September 2014) for -€73 million, as well as high-street Retail activities in Poland (now consolidated using the equity method after disposal of 51% of Inmedio's capital in December 2014) for -€28 million;
 - the disposal in Switzerland of Retail activities (Naville) in February 2015, with an impact of -€27 million, and of book stores (Payot) in July 2014 with an impact of -€13 million.
- Acquisitions for €43 million, essentially the Airst Group's activities (specifically at the Venice Airport) starting in April 2014.

The division's strategic shift is picking up speed. Travel Retail now represents 66% of sales for the division, vs. 62% in the first quarter of 2014.

Figures below are presented on a like-for-like basis.

LS travel retail: up 6.7% on a like-for-like basis

Business is still being driven by **growth in traffic, an improved product mix, the development of Duty-Free and Food Services, modernised sales outlets, and the roll-out of new concepts.**

In France, activity increased sharply (+8.7%), thanks to the marked rise in Travel Essentials and Food Services, driven by the network's development (notably Marks & Spencer) and the solid performance by airports outside the Paris region (new Relay stores and diversification). Duty Free has continued its momentum under the impact of increased traffic in Paris and the rest of France, and the growth in passenger spending, especially by English-speaking and Chinese passengers. The renewal and extension of the Duty Free concession in Nice is noteworthy.

In Europe (outside France), business is growing steadily (+7.4%) thanks to the continued ramping-up of activities in Rome (+15.7%) and in Spain (full contribution by airport fashion outlets opened in 2014), and the start-up of operations in Iceland. Poland and Romania also posted steady growth, with the development of the Food Services and Duty Free networks, which offset the lesser performances in the Czech Republic (impact of the drop in Russian traffic) and the Netherlands (work on Schiphol Airport). Concessions gained in Warsaw (Terminal 1) and Krakow in Poland will mean sales outlets opening in the next few months.

In North America, business posted a sharp increase (+6.7%), due to growth in the network (sales outlets opened in the Los Angeles, Phoenix and Dallas Airports) and a more favourable economic environment.

Business in Asia-Pacific was stable, both in the Asia zone (slower spending by passengers in China, work at Shanghai Airport) and the Pacific zone (momentum of Duty Free offset by the decline in print products).

Note that traditionally, the first quarter of the year does not make a significant contribution to the year as a whole.

LS distribution (Distribution + Integrated Retail): -2.7% on a like-for-like basis

As expected, the downward trend continued on. The continuation of diversification initiatives offset a portion of the decline in print products. In addition, the improved economic climate in Spain enabled a return to growth (+3.7%).

> Lagardère Active

Good performance of TV Production

The increase in sales, at €204 million (+1.1% on a reported basis and +2.8% like-for-like), is due to good performance by TV Production, which benefits from favourable phasing of programme deliveries.

The difference between data on a reported basis and data on a like-for-like basis is essentially due to a negative scope effect (-€3 million) related to the disposal of 10 magazines in July 2014, offset by Gulli's move to full consolidation since November 2014 and by the acquisition of Groupe Réservoir in February 2014.

Figures below are presented on a like-for-like basis.

The trend in sales from advertising was down slightly at -1.8%. The first quarter has a relatively low impact on annual advertising sales.

Sales of **Magazine Publishing** declined 5.1%, due to a still-difficult situation in circulation (-7.4%). Advertising decreased at -5.3%, in an unpromising market, and other activities were up, notably websites (+29%).

The **Radio** segment was stable: Europe 1 performance was impacted by a smaller audience at the year-end 2014, while music stations in France and internationally have grown significantly.

As expected, **TV Production** was up sharply over the quarter (+82%), in light of a weak Q1 2014 and, furthermore, positive effects in 2015 tied to sales of rights and a favourable phasing of deliveries, especially on stock programmes.

There was a slight downturn in **Digital** mainly due to the sharp decline (-29%) in LeGuide Group's activity. Legal proceedings were recently opened by the European Commission, which expects Google to re-establish a more balanced competitive environment.

> **Lagardère Unlimited**

An excellent first quarter driven by a favourable event schedule

As anticipated, sales rose very significantly, amounting to €153 million (+108.3% on a reported basis, +85.1% on a like-for-like basis). The gap between the reported and like-for-like figures is attributable to a positive scope effect (+€5 million), essentially from the acquisition of Casino de Paris in April 2014 as well as a positive foreign exchange effect of +€12 million due to the higher US dollar.

Figures below are presented on a like-for-like basis.

The activity's growth in the first quarter of 2015 is mainly attributable to a favourable calendar effect from the organisation of two major continent-wide football competitions, in Africa and Asia: the Orange Africa Cup of Nations held in Equatorial Guinea and the AFC⁽⁴⁾ Asian Cup, which took place in Australia.

The start of the year also saw ramping up in new activities, particularly the management of stadiums, with a contribution from new contracts awarded in 2014 (Friends Arena in Stockholm and Groupama Arena in Budapest).

II. Key events since January 1, 2015

Acquisition in Education in the United Kingdom

On January 12, 2015, Hodder Education, a British subsidiary of Lagardère Publishing, announced it had acquired Rising Stars, a textbook publishing house created in 2002 and specialising in primary school materials. This acquisition enriches Hodder Education's product offering.

Disposal of Distribution activities in Switzerland finalised

On February 27, 2015, Lagardère Services finalised the disposal of its 65% stake in Lagardère Services Distribution Suisse ("LSDS", formerly Payot Naville Distribution), its Swiss Integrated Retail and Press Distribution subsidiary (180 points of sale). This deal with Valora AG, which had already been announced on November 10, 2014, was another step in Lagardère Services' planned disposal of its Distribution business. In 2014, LSDS posted consolidated sales⁽⁵⁾ of €315 million. The disposal price (100% company value) is €75 million.

Disposal of a financial stake

On March 18, 2015, the Lagardère group announced a forward sale of the 2.8 million Deutsche Telekom shares it held, after the contribution by Club Internet to T-Online International in early 2000. T-Online International was then absorbed by Deutsche Telekom in 2006. The disposal will be effective in June 2016. Meanwhile, the Lagardère group retains ownership of the stock. Some €21 million (before taxes) in capital gains will be recorded in the H1 2016 accounts. The amount of the disposal was €45 million.

⁽⁴⁾Asian Football Confederation.

⁽⁵⁾Excluding Payot SA activities disposed of in July 2014.

Annual General Meeting

On May 5, 2015, at the Annual General Meeting, shareholders approved all proposed resolutions.

New syndicated credit facility: €1.25 billion over five years

On May 11, 2015, Lagardère announced the signature, with 15 banks, of a €1.25 billion multicurrency syndicated credit facility for general corporate purposes. This facility (with two one-year extension options) replaces the previous €1.645 billion facility, signed in 2011. This achievement highlights the confidence our bank partners have on the financial profile and the prospects of the Group.

Lagardère Services' developments in Travel Retail in New Zealand, North America and the United Kingdom

On February 20, 2015, the successful bid for Duty Free at the Auckland International Airport in New Zealand (7.9 million passengers in 2014) was announced. The operational takeover of three Duty Free sales outlets and five Luxury Fashion outlets (for a surface area of about 2,000 m²) is slated for July 2015. This success significantly consolidates the position of LS travel retail Pacific on the Duty Free segment.

On April 21, 2015, the acquisition of 17 fashion and candy sales outlets (about 2,000 m²) in Terminal T4 (17 million passengers in 2014) of JFK International Airport in New York was announced. This means LS travel retail North America will expand its presence in the United States.

On April 29, 2015, the principal Duty Free space contract (1,700 m²) for Luton Airport in the United Kingdom was renewed, with upgrade and expansion planned for late 2015.

Acquisition in sports marketing in Europe

On May 7, 2015, Lagardère Unlimited announced the acquisition project of UFA Sports, a German sports marketing company. This modestly sized operation will enable Lagardère Unlimited to complement its activities in marketing rights management in Europe, notably in the football field.

III. Outlook

- **Profitability**

Lagardère confirms its target for recurring Group EBIT of fully consolidated companies announced on March 11.

In 2015, recurring Group EBIT of fully consolidated companies (for the four operational divisions, formerly known as "Recurring EBIT from Media" and other activities) is expected to increase by about +5% compared to 2014, at constant forex and excluding the impact of the potential disposal of LS distribution.

- **Financial position**

The Group's financial position remains solid. Debt is expected to increase, as it does in every first half, in light of the payment of the ordinary dividend, as well as the usual negative early-year seasonal effect.

The new syndicated bank line of credit for €1.25 billion will strengthen the Group's liquidity position, while lowering the average cost of its debt.

Investor calendar

- **Announcement of H1 2015 results**

Half-year results will be released on July 30, 2015 at 5:35 p.m. A conference call will be held at 5:45 p.m. on the same day.

- **Announcement of Q3 2015 sales**

Third-quarter results will be released on November 10, 2015 at 8:00 a.m. A conference call will be held at 10:00 a.m. on the same day.

DEFINITION OF RECURRING EBIT

Recurring EBIT of fully consolidated companies is defined as the difference between income before interest and tax and the following items of the income statement:

- contribution of associates;
- gains or losses on disposals of assets;
- impairment losses on goodwill, property, plant and equipment and intangible assets;
- restructuring costs;
- items related to business combinations:
 - expenses on acquisitions;
 - profits and losses resulting from acquisition price adjustments and value adjustments related to changes in control;
 - amortisation of acquisition-related intangible assets.

*The Lagardère group is a global leader in content production and distribution whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences.
It is structured around four business lines: Books and e-Books; Travel Retail and Distribution; Press, Audiovisual, Digital and Advertising Sales Brokerage; Sports and Entertainment.
Lagardère shares are listed on Euronext Paris.
www.lagardere.com*

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